



State Board of Equalization

News Release

George Runner, Member

2nd District – Lancaster

Cynthia Bridges
Executive Director
www.boe.ca.gov

For Immediate Release
May 6, 2014

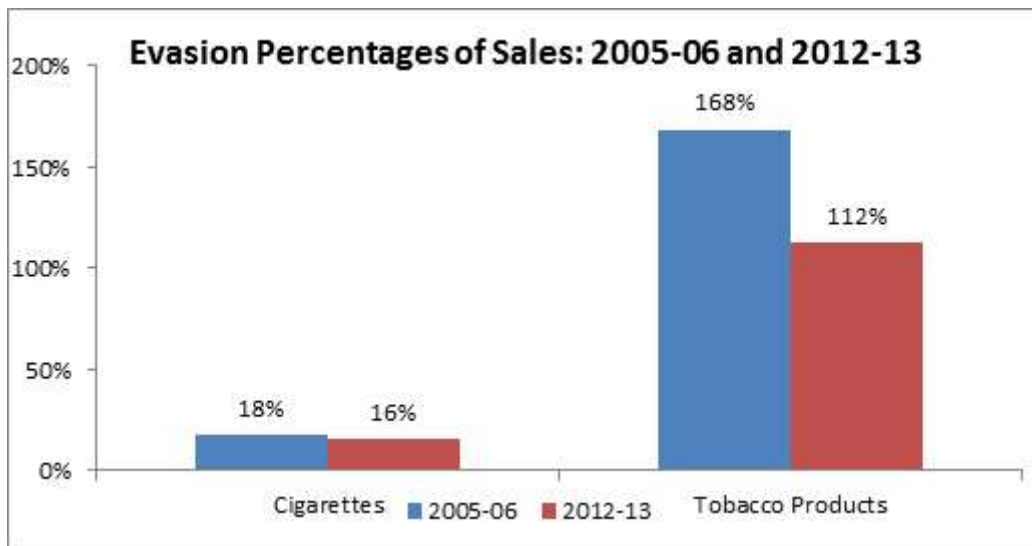
Contact: NR 62-14-R
Jaime Garza
1-916-327-8988

BOE Enforcement Efforts Snuffing out Cigarette and Tobacco Tax Evasion **New, Updated Estimate Shows Inspections and Tougher Laws Paying Off**

Sacramento – The California State Board of Equalization (BOE) announced its latest [cigarette and tobacco products tax evasion](#) that shows increased inspections, licensing, and enforcement efforts have contributed to a drop in the percentage of sales of contraband products since its last estimate. Cigarette and tobacco tax evasion for Fiscal Year (FY) 2012-13 totaled \$214 million, compared to \$276 million in FY 05-06.

"Tobacco and cigarette tax evasion contribute significantly to California's underground economy," said Board of Equalization Member George Runner. "This latest estimate shows the Board's enforcement efforts are yielding results."

The following graphic indicates the dip in both cigarette and tobacco products evasion as a percentage of total sales comparing FY 2005-06 to 2012-13. BOE's [2007 revenue estimate](#) was based on data from FY 2005-06.



State Board of Equalization • 450 N Street, Sacramento, CA 95814 • 1-800-400-7115

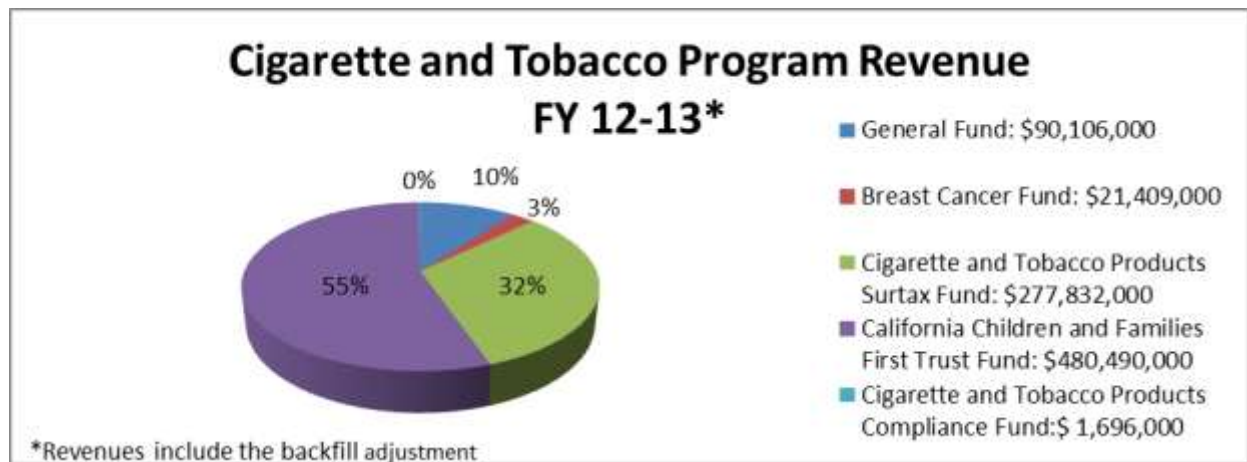
Connect with Us:



BOE's Investigations Division partners with the Bureau of Alcohol, Tobacco, Firearms, and Explosives, US Attorney's Office, and Department of Justice in "Operation Big Pinch," a task force aimed at cracking down on contraband tobacco products. During calendar years 2012 and 2013, the task force pinched nine illegal operators who cost the state \$36.6 million in tobacco tax revenue. Had those criminal enterprises continued, they would have cost the state an additional \$55.5 million through January 31, 2014, depriving the state and local communities of excise taxes which benefit programs for young children, breast cancer research, and a host of other health and community programs (see graphic below).

The Cigarette and Tobacco Products Licensing Act of 2003 ([Assembly Bill 71, Horton](#)) required each seller of cigarettes and tobacco products to be licensed. Each year since, BOE inspectors conduct about 10,000 inspections statewide to ensure compliance and seek out unstamped product or other cigarette and tobacco product tax violators. In FY 2004-05, the first full fiscal year after the law's enactment, 869 inspections showed counterfeit stamps. By FY 2012-13, that number had been reduced to 13. In the last ten years, inspections resulting in seizures of unstamped cigarettes, or with counterfeit stamps affixed, have steadily declined from more than 15 percent of inspections to approximately one percent.

The following graphic illustrates the programs funded by cigarette and tobacco product taxes and license fees.



Every year, the state spends about \$32.1 million administering and enforcing cigarette and tobacco product tax and licensing laws. These programs generate more than \$871.5 million in revenue for the above-referenced funds.

* * * * *

Elected in November 2010, George Runner represents the State Board of Equalization's Second District. He is a leading advocate for California taxpayers. Runner has worked to improve California's tax policies and practices and to create and retain more private sector jobs in our state. Prior to his election to the Board, Runner served twelve years in the State Legislature, authoring the well-known California Amber Alert and California's Blue Alert. As a thoughtful conservative, his legislative priorities included improving the economy, business growth, education excellence, and public safety for all

Californians. As a member of the Senate Revenue and Taxation Committee, Runner consistently led the fight against tax increases and supported tax relief for families and businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects \$56 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

###

Connect with Us:

